

Message Text

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ACTION ARA-20

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INR-10 NSAE-00 PA-04 RSC-01 PRS-01 SP-03 SWF-02 DRC-01

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 9868

USDA/FAS WASHDC IMMEDIATE

UNCLAS LIMA 3302

DEPARTMENT FOR FRECHETTE

E.O. 11652: N/A

TAGS: EAGR, PE

SUBJECT: CCC CREDIT

REF: LIMA 4354 OF 1973, AND LIMA 4480 OF 1973

1. GOP OFFICIALS AGAIN ASKING WHEN CCC CREDIT MIGHT BECOME AVAILABLE FOR FINANCING REQUIREMENTS U.S. WHEAT, CORN, AND VEGETABLE OILS. NO FORMAL REQUEST RECEIVED SINCE NEITHER USG NOR EMBASSY HAS YET REPLIED OFFICIALLY TO GOP REQUEST OF JUNE 25, 1973, REFERRED TO IN REFTELS. HOWEVER, AGATTACHE HAD ORALLY INFORMED RESPONSIBLE AUTHORITIES RE CCC CREDIT SITUATION FOLLOWING RETURN FROM 1973 FAS CONFERENCE.

2. EMBASSY UNDERSTANDS GOP URGENTLY DESIRES RENEWED CCC LINE OF CREDIT TO HELP SOLVE SERIOUS BUDGETARY AND FINANCIAL DIFFICULTIES, BUT WE HESITATE ENCOURAGE REQUEST WITHOUT KNOWING POSSIBILITY RENEWED FINANCING FOR PERU.

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3. PERU LIKELY PURCHASE ABOUT 150,000 M.T. ADDITIONAL WHEAT,

200,000 M.T. CORN, AND NO VEGETABLE OIL FOR JULY-DECEMBER 1974 DELIVERY. CANADA STILL HAS COMMITMENT FOR 90,000 M.T. WHEAT AND AUSTRALIA GAVE OPTION FOR FURTHER QUANTITY, BUT HIGHER PRICES ASKED BY THEIR WHEAT BOARDS COULD PUT U.S. IN FAVORABLE POSITION TO SUPPLY TOTAL REMAINING NEEDS, PLUS FEED GRAINS.

4. IMPORT REQUIREMENTS JANUARY-JUNE 1975 FORESEEN AT 400,000 M.T. WHEAT, 150,000 M.T. CORN OR SORGHUM AND 25,000 M.T. VEGETABLE OIL.

5. GOP JUSTIFIES NEED FOR CREDIT ON:

A. REDUCED NET INTERNATIONAL RESERVES AND SEVERE 1974 BALANCE PAYMENTS DEFICIT (ESTIMATED BY EMBASSY AT \$120 MILLION).

B. HIGH PRICES BEING PAID FOR GRAIN AND VEGETABLE OIL IMPORTS NECESSITATING GREATER EXPENDITURES THAN FORESEEN IN BUDGET.

C. ADDITIONAL BURDEN OF CONTINUED SUBSIDIES ON WHEAT PRODUCTS (AROUND \$50 MILLION IN 1974) EDIBLE OILS (\$20 MILLION) PETROLEUM PRODUCTS (WELL OVER \$50 MILLION) PLUS SUBSIDIES ON OTHER MISCELLANEOUS FOOD PRODUCTS.

6. GOP ALSO POINTS OUT THAT OTHER SUPPLIERS ARE OFFERING CREDIT: CANADA SELLS WHEAT ON THREE-YEAR TERMS, FIVE PERCENT CASH WITH REMAINDER PAYABLE EQUAL AMOUNTS AT 12, 24, AND 36 MONTHS AT PRIME INTEREST RATE. AUSTRALIA OFFERS ONE-YEAR CREDIT AT COMMERCIAL RATE, AROUND 9.5 PERCENT. NEW ZEALAND SELLS MUTTON ON THREE-YEAR TERMS AND HAS 10-YEAR AGREEMENT FOR DAIRY PRODUCTS, BOTH AT 5.75 PERCENT INTEREST.

7. PERUVIAN OFFICIALS ALSO REFER TO "TEMPORARY" U.S. SUSPENSION OF CCC CREDIT DUE TIGHT WORLD SUPPLIES PRIOR 1973 HARVEST. THEY FEEL THAT CHANGED SUPPLY PICTURE AND THE PROSPECT OF EVEN LARGER 1974 U.S. CROPS MERIT RECONSIDERATION CREDIT POLICY, PARTICULARLY FOR PERU AS TRADITIONAL U.S. MARKET THESE COMMODITIES.

8. PERU'S ECONOMIC PROBLEMS ARE REAL AND THEIR ARGUMENTS SEEM UNCLASSIFIED

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VALID. C.T. RECOMMENDS THAT USG GIVE FAVORABLE CONSIDERATION TO POSSIBILITY REOPENING CCC LINE OF CREDIT AS FAVORABLE POLITICAL GESTURE, EFFORT TO HELP GOP PULL THROUGH FINANCIAL DIFFICULTIES SEEN EXTENDING NEXT TWO YEARS, AS WELL AS TO ASSURE THAT U.S. CONTINUES MAINTAIN SIGNIFICANT SHARE OF PERUVIAN MARKET IN EVENTUALITY THAT SUPPLIES BECOME MORE PLENTIFUL.

9. ADVISE.

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